Investor's Newsletter（Dec. 21, 2021） vol. No.13 in 2021

CPIC（SH601601, HK02601, LSE CPIC）

Stock Data (ending Nov. 30, 2021)

Total equity base (in million)	9, 620
A-share	6, 845
H-share	2, 775
Total Cap (in RMB million)	236, 631
A-share	185, 432
H-share (in HKD million)	62, 722
6-month highest/lowest	
A-share (in RMB)	32. 91/25. 59
H-share (in HKD)	27. 57/21. 35
GDR(in USD)	27. 00/20. 10

IR Calendar

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Premium Income (Unit: in RMB million)

	Jan.- Nov.	**Changes**	Nov.	**Changes**
P&C	140, 063	2. 97%	11, 524	4. 62%
Life	201, 296	-0. 64%	9, 459	5. 31%

Regulatory Updates

- **CBIRC mulls over introducing differentiated management of life/health insurance agents**

On November 25, the Life/Health Insurance Division of CBIRC issued the Exposure Draft of Administrative Regulations on Sales Management of Life and Health Insurance. The first of its kind in the industry, the document seeks full coverage of insurance companies, distribution channels and sales processes. It introduced differentiated management, requiring rating of sales agents and insurance products, and the matching of the two, in order to minimize mis-selling. To better regulate sales activity, the rules require video/voice recording of group marketing events, and preparation of a Product Description for policies with protection period of longer than one year, which shall be kept in file after being counter-signed by the insured. To address concerns over key industry issues, the document excludes agents' self-purchase policies from performance assessment, bans advertising of ultra-low premiums for the first term of payment, steps up regulation of policy surrenders, and imposes caps on premiums of insurance gratis. As for bancassurance, it allows insurance agents to be stationed in bank outlets on an exclusive basis, i.e., the outlet can only conduct in-depth cooperation with one life insurance company in one year. In management of commissions and fees, the regulation stipulates for a lower proportion of first-year commission and the extension of renewal commission periods.

- **PBoC and CBIRC solicit opinions on capital bonds with indefinite terms by insurance companies**

First, the document defines capital bonds with indefinite terms by insurance companies, sets forth requirements for their issuance, information disclosure, registration and custodian services. Second, it stipulates on terms and clauses of the bond, including write-off, conversion into shares and cancellation of interest, and defines the triggers of write-off and conversion. Third, it abolishes requirement for external credit-ratings. Fourth, it requires insurance companies to improve market-oriented pricing of the bond and diversify investor mix, in order to enhance their capital position. Fifth, it introduced caps on the balance of outstanding capital replenishment bonds, including capital bond with indefinite terms.

Market analysts believe that this will broaden channels for insurance companies to replenish core capital, help to enhance solvency and insurers' ability to absorb risks, and pave the way for the official release of C-ROSS Phase II.

- **Regulator issues rules on securities lending by insurance funds**

First, the regulation persists in differentiated supervision. On the one hand, it sets out different conditions for insurance companies to conduct such business as part of "prudential supervision", such as solvency, ALM capabilities, investment management capabilities and regulatory ratings; on the other hand, it guides insurers in enhanced their management of borrowers, particularly the setting of thresholds based on business models and risk status.

Second, the document upholds stringent control of risk, requiring the pledge of collateral, with stipulations on types and minimum level of collateral for business without a central counter-party; and a waiver of collateral requirements for business with a central counter-party, namely, securities financing firms.

Market analysts believe that insurance funds are long-term, stable and large in scale. The new policy will diversify channels of insurance funds investment and enhance returns on existing portfolios. It will also strengthen the role of insurance companies as an important institutional investor on the capital market, helping to improve supply and demand, and in turn the liquidity and turn-over of the market.

- **CBIRC promulgates Measures on Supervision and Administration of Insurance Group Companies**

The regulations seek to increase the focus on the core business of insurance by insurance group companies when conducting equity investment, enhance equity investment management, discipline business conduct and rein in reckless expansion of the capital.

First, insurance group companies shall lower the complexity of their shareholding structure, and strengthen corporate governance. They are required to put in place a simple and clear ownership structure that can be seen through, with reasonable shareholding levels between the group and affiliate companies, and the group company shall enhance its primary responsibility for corporate governance of the entire group.

Second, insurance group companies shall establish a holistic risk management system covering the entire group, while paying particular attention to group specific risks. The document added a separate chapter of “Risk Management”, requiring group companies to realign resources and put in place an enterprise risk management system in line with its strategic objectives, organizational structure, and business models. It floats supervision whose scope is aligned with financial statements consolidation, based on control while considering correlation in risks.

Third, investment in non-insurance subsidiaries shall be able to optimize group-wise resource allocation, deliver synergy and enhance the professional operation as well as competitiveness of the entire group, boost the development of the core business of insurance. A separate chapter on “Non-insurance Subsidiaries Management” was added, specifying the scope and conditions of investments in non-insurance entities, while improving existing rules on internal control, banned conduct, outsourcing and information filing.

Industry Info

- **China Insurance Association releases Dedicated Terms & Clauses for new energy vehicles insurance for trial implementation**

The Terms & Clauses seeks to provide more effective and targeted protection for users of new energy vehicles, which covers charging poles, batteries, and grid, and a wide range of user scenarios such as driving, parking, charging and business operation.

First, it unveiled three basic insurance products and 13 riders, applicable to hybrid (including extended range), pure electric and fuel battery vehicles. The basic products cover against vehicle damage, third-party liability and liability for personnel on board the vehicle.

Second, it defines the scope of insurance, which covers not only vehicles, but also charging poles, batteries, grid and pre-installed equipment, with the development of products covering against damage to self-use charging poles and liability arising from the use of such poles, the first time for auto insurance to include fixed auxiliary apparatus outside of vehicles. This ensures the interests of consumers throughout the entire process of use.

Third, previous terms & clauses of commercial auto insurance will no longer apply to new vehicles or renewed insurance.

Fourth, benchmark premiums remain largely stable. It’s been reported that CBIRC recently issued The Circular on Matters Relating to Filing of Dedicated Products for New Energy Vehicles, which caps the expense loading at 15%.

Market analysts regard this as another round of rule-based regulation of new energy vehicles, conducive to enhancing the foundation of underwriting and boosting the healthy development of the market. They also expect possible adjustment of the regulations in view of the actual situation.

- **A total of 107mn elderly people aged above 60 hold commercial insurance policies**

As of November 19, a total of 107mn elderly people aged above 60 hold commercial insurance policies, with a penetration of 41%. Aggregate number of policies amounted to 226mn, accounting for 11% of that of the entire market. During the 13th five-year plan period, premiums from elderly populations amounted to 1.4 trillion yuan.

In recent years, CBIRC issued policies on long-term medical insurance. As of October 2021, a total of 25 such products were launched to cover those aged over 70 years, diversifying supply of products for the elderly. Currently there are over 1,000 insurance products elderly people can choose from, spanning illnesses, medical costs, personal accident and pension products. The morbidity table especially for the elderly people has also been compiled. Going forward, the regulator will optimize rules for the pilot programs for customized pension insurance, supporting the development of pension products with whole-life benefits; improve policy support for reverse housing mortgages-based pension insurance; encourage insurance companies to relax caps on age of the insured, accept application from elderly people with prior conditions provided that such conditions are excluded from claims, and provide guaranteed renewals.

Company News

● CPIC receives awards of corporate governance

On November 30, the 9th board of directors of China Pacific Insurance Group received "Directors of the Year Awards 2021" for boards in the listed companies category from The Hong Kong Institute of Directors. Group Chairman Kong Qingwei also received the Awards for Executive Directors. In 2018, the group got the same awards, which recognize the company's excellent performance in corporate governance.

The theme of this year's awards is "Leading in New Normal." According to the panel of judges, "the company is focused on building a professional, diversified and balanced high-quality board team to further improve the board's decision-making capabilities based on different professional fields. It also incorporates philosophies of sustainable development into business operation to boost high-quality contribution to environment, society and governance. Chairman Kong demonstrated effective leadership and guidance of a highly diversified and professional board. He made sure that the core competence and culture of the company are well developed. He also played a leading role in ESG adoption."

The 9th board of directors pays great attention to sustainable growth and established the Strategic and Investment Decision-making & ESG Committee under the board in March to incorporate the ESG philosophy into the company's daily operation. The company is also working on a new strategy, making efforts on both the liability and investment ends, to boost sustainable growth.

● CPIC accedes into UN PSI

Recently, CPIC signed UN PSI, becoming its second domestic signatory, marking a milestone in the company's efforts in sustainable development and ESG. In recent years, CPIC has stepped up sustainable development, integrating ESG into product development and underwriting while enhancing risk identification and selection. In particular, it intensified product and service innovation to promote the branding of green insurance, in areas of energy technology, low-carbon transitioning of traditional industries, climate change, green agriculture, environment treatment and bio-diversity. At the same time, in response to trends and dynamics of the health conditions and retirement protection needs of the Chinese people, the company continued to participate in government-sponsored programs such as basic medical insurance, critical illness insurance, affordable supplementary medical insurance and long-term care, provided comprehensive health protection and contributed to the development the 3rd pillar of China's pension system.

● CPIC Life Hong Kong makes its debut

On December 8, CPIC Life Hong Kong held a ceremony to mark its establishment. The company will conduct long-term life and health insurance business.

On November 18, CPIC Life announced the receipt of approval for the establishment of China Pacific Life (Hong Kong) Co. Ltd., a wholly-owned subsidiary with a registered capital of 1bn Hong Kong dollars, from the Hong Kong Insurance Commissioner. Such a move had been approved by the 5th board of directors of CPIC Life at its 1st extraordinary meeting in 2016. The rationale is to enhance the company's deployment, and in particular its service capabilities in the Greater Bay Area. The Hong Kong operation will fully leverage Hong Kong as an international financial hub, draw on experience of developed insurance markets, deeply participate in the construction of the Greater Bay Area, so as to better satisfy diverse needs for risk protection and asset allocation of its customers.

● CPIC injects capital to CPIC Health

Approved at the 13th Session of its 9th Board of Directors, CPIC Group will inject, together with CPIC Life, a total of 1.9bn in proportion to their stake to CPIC Health at a price of 1 yuan per share. Of this, the Group contributed 1.616bn yuan in cash, and the life company 284mn yuan in cash.